

AGRICULTURAL HEALTH AND TECHNOLOGY PROGRAM

(CO-0190)

EXECUTIVE SUMMARY

BORROWER AND GUARANTOR: Republic of Colombia

EXECUTING AGENCIES: The Ministry of Agriculture and Rural Development (MAGDR) and the Instituto Colombiano Agropecuario [Agricultural Institute of Colombia] (ICA).

AMOUNT AND SOURCE:

IDB:	US\$ 87 million (OC)
Local contribution:	US\$ 58 million
Total:	US\$145 million

FINANCIAL TERMS AND CONDITIONS:

Amortization period:	20 years
Disbursement period:	5 years
Interest rate:	variable
Inspection and supervision:	1%
Credit fee:	0.75%
Currency:	U.S. dollars from the Single Currency Facility

OBJECTIVES: The purpose of the program is to improve the competitiveness of Colombia's farm and agroindustrial sector in the context of the challenges and opportunities created by the opening of the country's economy, through expansion and increased efficiency in the allocation of public resources to agricultural research and protection. The program will help consolidate the institutional reforms carried out within the National Agricultural Science and Technology System (SNCTA) and the National Agricultural Protection System (SINPAGRO).

DESCRIPTION: The program will comprise the following subprograms and components:

1. Technology subprogram (US\$58.5 million)

This subprogram will support the reorganization of agricultural production in Colombia by developing new technologies under priority research programs of interest to the public and private sectors.

This will include:

(a) Institutional strengthening of the SNCTA (US\$6.7 million). Studies will be financed to provide the basis for reorganization of the system and effective operation by the Agricultural Science and Technology Council of Colombia (CNCTA) and its Technical Secretariat. The Technical Secretariat will have the resources for carrying out the studies and other tasks required for periodically reviewing research priorities, determining a strategy for

future development of the Corporación Colombiana de Investigación Agropecuaria [Agricultural Research Corporation of Colombia] (CORPOICA) and other regional research agencies, and analyzing methods for promoting greater private sector participation in the financing of technological advances, as well as for evaluation of projects to be financed (which will require the creation of panels and the payment of honoraria to evaluators), development and maintenance of the information network, and evaluation and supervision of the program.

(b) Agricultural Technology Development Fund (Fund) (US\$50 million). This fund will serve as an instrument for allocating public resources to finance research in agricultural production activities, fisheries and forestry, providing resources on a competitive basis to national and regional projects which seek solutions to critical problems and innovation priorities. The fund will be administered by the Ministry of Agriculture and Rural Development (MAGDR), which will use a fiduciary trust arrangement through a financial intermediary. The highest priority programs are as follows:

(i) National strategy programs to develop research capacity (US\$18 million). These programs have as their objective to develop generic technologies in four specific fields: biotechnology, genetic resources, comprehensive pest-control programs, and integrated water and soil management programs. This will involve consolidation of a network of specialized research centers with connections to national and international bodies. This component will also provide financing for links to research consortiums at the international level through the Regional Agricultural Technology Fund (FONTAGRO).

(ii) National strategy programs for innovation and technological development (US\$26 million). The objective of these programs is to support research on specific technology problems in the farm production or agro-processing system. A preliminary selection has identified the following programs:

(i) Agricultural products (coffee, oil palm, plantain, flowers, bananas, potatoes and sugarcane); (ii) Small farming systems (products of the campesino economy such as beans, peas, onions, panela cane, cassava, corn and minor species); (iii) Cattle (beef, dairy and dual-purpose cattle); (iv) Forestry research (studies on commercial plantations, natural forests and agrosilvopastoral systems); and (v) fishing and aquaculture.

(iii) Regional programs (US\$6 million). The objective under this heading is to support research aimed at finding solutions to specific technological problems in areas of major importance to regional agro-ecosystems.

2. Subprogram for agricultural health and quality (US\$66.5 million)

This subprogram will support consolidation of the

institutional reforms in SINPAGRO and introduce agri-food quality measures into Colombian policy for the sector. Its principal components are:

(a) Institutional strengthening of the Agricultural Institute of Colombia (ICA) (US\$18 million), in its role as policy-making body, regulatory agency and principal enforcement authority for quality standards and health protection, and control of agricultural inputs in Colombia. This will include upgrading its organizational structure and human resources, beginning in the first year with the reappointment of personnel financed by the program, establishment of the health information system, and strengthening in the areas of planning and socioeconomic and environmental analysis for projects dealing with health protection and quality standards in agriculture.

(b) Consolidation of ongoing plant and animal health activities (US\$45.5 million). This component will seek to strengthen the following areas:

(i) consolidation of a disease reporting system to improve knowledge of the country's plant and animal health conditions; (ii) improvement of control and inspection procedures in quarantine facilities at entry points and collection sites for plants and animals in order to prevent the spread of pests and disease; (iii) upgrading of quality control for agricultural inputs sold in Colombia, and monitoring of chemical and biological residues in agri-food products; (iv) establishment and/or strengthening of national reference laboratories for plant and animal health diagnostic services, as well as control of agricultural inputs and residues in plant and animal products, and creation of regional laboratory networks; (v) creation of specific projects for pest and disease control and eradication; and (vi) certification of breeders of new plant varieties, preservation of genetic resources and promotion of biosafety standards.

This component will also include purchase of the necessary field equipment and materials for the plant and animal health monitoring system, modernization and equipping of entry points and quarantine stations, construction and equipping of laboratories, and the training and extension programs required to support and enhance these activities.

(c) Quality control (US\$3 million). Resources will be provided to establish a coordinating group that can oversee standard-setting and training activities, and to promote the activities of quality certification laboratories that will contribute to gradual implementation of the hazard analysis critical control point (HACCP) evaluation system in the agroindustrial processing stage.

**ROLE OF THE
PROGRAM IN THE
BANK'S COUNTRY AND
SECTOR POLICY:**

The Bank has developed a strategy for Colombia, the objectives of which are to: (i) support the process of building and maintaining a peaceable society; (ii) reduce poverty and inequalities; (iii) reinforce decentralization; (iv) modernize government services;

and (v) promote sustainable growth in sectors such as agriculture. The Bank has drawn up a work strategy for the agricultural sector to be reviewed with the new Colombian administration, which includes the following: (i) rationalization of trade policies and domestic marketing of agricultural products; (ii) reform of the principal institutions of the sector to adapt them to the newly liberalized and decentralized economy; (iii) carrying out the investments and making the changes in agricultural technology and health described in this program; and (iv) designing strategies for revitalizing the real estate market and promoting private investment in agroindustrial projects. The development of institutional reforms in agricultural technology and agricultural health proposed under this program will make a very real contribution to the modernization and decentralization of government services in Colombia. Moreover, the actions in these two fields will help ensure sustainable development of the sector since the growth achieved as a result of this program will depend on increases in productivity more than on expansion of land under cultivation. At the same time, the increase in competitiveness as a consequence of the program will aid efforts to rationalize trade policy for the sector, increase yields and reduce the risks involved in adopting a strategy based on support for private investment in commodities for agroindustrial processing.

**ENVIRONMENTAL/
SOCIAL ASPECTS:**

The analysis of environmental and social matters concludes that the effects of the program are generally positive since its activities will tend to boost incomes of producers, relieve pressure to expand the agricultural frontier, and reduce pesticides usage. As a result of the environmental analysis, a decision was made to include in the operating regulations of the Fund the need to consider the requirements established by the Ministry of the Environment and the regional corporations on the environmental dimensions of projects eligible for financing. These aspects include the use of sustainable technologies throughout the agro-industrial chain and the consideration of the rights of communities in projects that use native genetic resources. The principal recommendations include: (i) implementation of environmental control systems in laboratories; (ii) review and revamping of legislation to control agricultural chemicals; (iii) formulation of national standards for maximum residue levels in food products; and (iv) drafting of regulations governing production and sale of transgenic organisms.

BENEFITS:

By financing institutional strengthening for the SNCTA, expanding its resource base, establishing international strategic alliances and introducing competition for the financing of projects, this program will improve the efficiency with which public resources are allocated for research, ensure that research focusses on high-priority national and regional programs, and boost capacity for innovation in the medium-term, thus producing a significant impact by improving the competitiveness of the

sector's principal products. The results will include higher export levels, greater income for producers and increased employment in the sector.

The most important benefits from the agricultural health and quality subprogram will include: (i) reduced likelihood of exotic pests entering the country and leading to economic losses in agricultural production; (ii) savings resulting from better control of pests already present in Colombia; (iii) additional income generated by greater access to foreign markets, improved quality and therefore reduced losses due to seizure of affected products in international markets, higher prices and less damage to the environment.

RISKS:

Risk: The reform process which resulted in the splitting of the ICA and CORPOICA into separate bodies left a number of institutional problems which may hinder execution of the program: namely, lack of precision in the allocation of research functions between the two institutions, shortage of qualified personnel in both the ICA and CORPOICA, lack of clarity concerning the division of assets (experimental stations) between them, and lack of continuity in research funding. Reducing the risk: Prior to the first disbursement under the agricultural health and quality subprogram, the actions aimed at strengthening the ICA and CORPOICA and bolstering their separate areas of specialization must be under way. These actions will include the guidelines that the Ministry of Agriculture has been preparing for restructuring the staff of the ICA (reducing administrative staff and increasing the number of technical personnel), and provisions to permit the downsizing of experimental stations.

Risk: The government's fiscal position may hamper the allocation of adequate budgetary resources to the institutions acting as executing agencies. Reducing the risk: The research subprogram is designed for large-scale participation by the private sector under the Fund (providing 50% cofinancing) and will promote the process of accreditation and delegation of powers under the agricultural health and quality subprogram.

SPECIAL CONTRACTUAL CONDITIONS:

Conditions precedent to the first disbursement under the program. The borrower must present to the Bank evidence of: (i) the formation of the MAGDR and ICA Coordinating Groups (paragraphs 3.2 and 3.19); (ii) the existence of the first Annual Work Plan (AWP) for each subprogram (paragraph 3.29).

Conditions precedent for the technology subprogram: (i) evidence that the SNCTA has the appropriate makeup and functions to carry out the subprogram (paragraph 3.4); (ii) approval of the operations manual for the Fund, as well as its medium-term work plan (paragraph 3.7); (iii) a call for bids has been issued for a financial institution to administer Fund disbursements (paragraph 3.2); and (iv) appointment of the specialist on the CNCTA's Technical Secretariat who will be responsible for managing environmental and social aspects of the program

(paragraph 3.32).

Conditions precedent for the agricultural health and quality subprogram: (i) evidence that SINPAGRO's Executive Council has been placed in operation (paragraph 3.18); (ii) the actions seeking to modernize and strengthen the agricultural research and protection agencies and bolster their separate areas of specialization and to allow the ICA to work effectively as the country's agricultural health authority have been initiated (paragraph 3.18).

Other conditions: In the course of the operation: (i) the borrower, through the Coordinating Groups of each coexecuting agency, must submit an Annual Work Plan for each subprogram to the Bank before October 31 of each year, together with consolidated semiannual reports on the execution of the respective subprograms (paragraph 3.29); (ii) 30 months after the signing of the loan contract, or when 50% of the loan resources have been committed, whichever comes first, the Bank and the government will conduct an evaluation of the program's execution (paragraph 3.28); and (iii) in the months following the start of program execution, studies will have been contracted out to: assess and amend legislation on the control of agrochemical use; monitor and evaluate program impact; design standards for control of residues in food products and the publicity campaign for comprehensive pest-control programs (paragraph 3.32).

**POVERTY-TARGETING
AND SOCIAL
ASPECTS:**

The proposed program does not qualify as a poverty-targeted investment, either geographically or in terms of its beneficiaries.

PROCUREMENT:

The procurement of goods and the contracting of construction works and consulting services to be financed with program resources will be carried out in accordance with the Bank's current policies. Whenever resources from the Bank's loan are used, international competitive bidding will be compulsory for contracts valued at or above the following thresholds: US\$350,000 for the purchase of goods, US\$200,000 for consulting services, and US\$5,000,000 for construction works.

**EXCEPTIONS TO BANK
POLICY:**

None.